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THE *Demand and Price* SITUATION

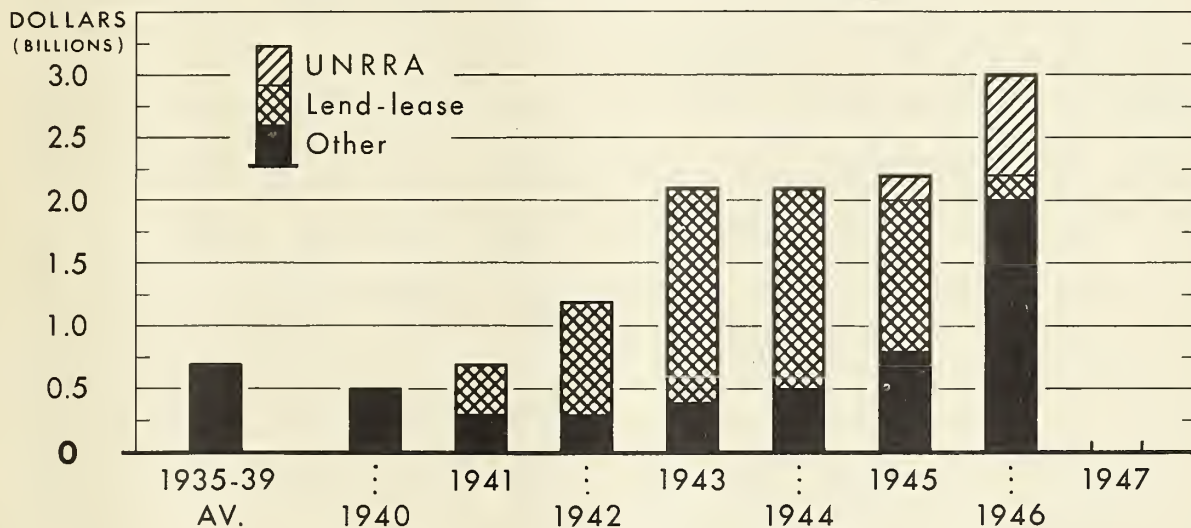
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



DECEMBER 1946

VALUE OF UNITED STATES DOMESTIC AGRICULTURAL EXPORTS: LEND-LEASE, UNRRA, AND OTHER, 1935-39 AVERAGE, AND 1940-46



SOURCE OF DATA: DEPARTMENT OF COMMERCE AND OF AGRICULTURE
1946 DATA FORECAST

Exports rose sharply during the war because of purchases under lend-lease. As a result of price increases the rise in actual quantities was considerably smaller than the rise in values. In 1945, and to an even greater extent in 1946, UNRRA shipments have been important but have not been so large as were lend-lease shipments from 1942 to 1945. In 1946 the small volume of exports still reported as lend-lease actually represents commercial transactions. Other exports are chiefly commercial transactions but include small amounts of private relief.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945		1946			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial Production <u>1/</u>	: 1935-39 :						
Total	= 100 :	203	162	172	177	180	182
All manufactures	" :	214	168	177	183	186	189
Durable goods	" :	274	186	202	208	212	214
Nondurable goods	" :	166	154	157	164	164	169
Minerals	" :	137	124	146	143	145	144
Construction activity <u>1/</u>	: 1935-39 :						
Contracts, total	= 100 :	118	145	287	275	263	260
Contracts, residential	" :	64	88	395	385	360	350
Wholesale prices <u>2/</u>	: 1935-39 :						
All commodities	= 100 :	131	131	154	160	154	166
All commodities except farm and food	" :	123	123	134	137	138	142
Farm products	" :	169	168	207	212	203	218
Food	" :	134	134	177	188	167	200
Prices received and paid by farmers <u>3/</u>	: 1910-14 :						
Prices received, all prod.	" :	202	199	244	249	243	273
Prices paid, int. and taxes	" :	174	175	199	204	200	207
Parity ratio	" :	116	114	123	122	122	132
Consumers' price <u>5/</u> <u>6/</u>	: 1935-39 :						
Total	= 100 :	128	129	141	144	146	148
Food	" :	139	139	166	171	174	180
Nonfood	" :	123	124	128	129	130	131
Income	: 1935-39 :						
Nonagricultural payments <u>4/</u> ...	= 100 :	236	230	240	243	243	244
Cash farm <u>3/</u>	" :	283	261	353	329	263	370
Income of Industrial Workers <u>3/</u> ..	" :	286	225	268	284	287	287
Factory payrolls <u>5/</u>	" :	307	237	278	296	303	304
Weekly earnings of factory workers <u>5/</u>	: Dollars :						
All manufacturing	" :	44.39	40.97	43.38	44.98	45.41	45.83
Durable goods	" :	49.05	44.23	46.24	48.00	48.39	49.06
Nondurable goods	" :	38.29	37.76	40.46	41.89	42.34	42.48
Employment	:						
Total civilian <u>7/</u>	: Millions :	51.6	51.6	58.1	58.0	57.4	57.4
Employees in nonagri. est. <u>5/</u> ..	: Thous. :	38,144	36,327	39,260	39,865	40,146	40,187
Farm <u>3/</u>	" :	9,844	11,052	11,586	11,044	11,111	11,486
Government finance (Federal) <u>8/</u> ..	: Mil. dol. :						
Receipts, net	" :	3,837	2,530	2,539	2,434	4,478	2,544
Expenditures	" :	7,470	5,695	3,644	2,932	2,755	2,965

Annual data for the years 1929-45 appear on page 20 of the March 1940 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to 1935-39 base. 2/ U. S. Dept. of Labor, B.L.S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - December 24, 1946

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DEMAND FOR FARM PRODUCTS

The high level of general business activity continues to support a strong demand for agricultural products. Income payments to individuals in October rose to a new peak annual rate of \$172 billion—primarily because of greater than usual seasonal advances in agricultural incomes. This rate is 6 percent above the average for the first nine months of 1946.

Prices received by farmers during the next few months may average slightly below the mid-November levels. The general price level, however, as well as the level of prices paid by farmers is likely to continue upward during the first quarter of 1947.

Output and Employment

Despite the stoppage of soft-coal production and the resulting decline in steel production, the index of total industrial production for November was 182 percent (1935-39=100) about the same as in October. The recent soft coal strike retarded production in some industries. Steel ingot production dropped from about 89 percent of capacity in October to about 63 percent for the last week in November. The month of November, however, averaged 84 percent of capacity. Output of minerals declined 5 percent in November because of the sharp drop in soft-coal production resulting from work stoppages in the latter part of the month. Prior to November, industrial production had attained new record peacetime levels each month since June.

After an uninterrupted rise of 22 percent from the level of May, 1946, the index of durable goods production (seasonally adjusted, 1935-39=100) rose to 214 in November, one point higher than October. Nondurable goods production rose to 171 in November, exceeding the previous record peacetime level of 168 percent of the 1935-39 average attained in October.

Motor vehicle production during the first three weeks in November reached an annual rate of 4.9 million units, marking the first extended period since the war's end during which the prewar (1941) annual rate of 4.8 million units was surpassed.

The Census report on the labor force, covering the week of November 3 to 9, placed the civilian labor force at 58,970,000 persons, 20,000 below the previous month. Total nonagricultural employment in November continued at postwar peak levels, increasing to 49,140,000 persons from 48,410,000 in October, an increase of 730,000 while agricultural employment declined by 720,000 from October to November. The number of unemployed remained about the same and was estimated at 1,930,000 persons.

Census estimates of unemployment during November and December were not affected by the soft coal shutdown. Those either directly or indirectly unemployed as a result of the strike were considered as employed, belonging to the group "with a job but not at work". However, voluntary and involuntary unemployment during early December was undoubtedly greater than in November.

Income and Related Factors

After declining \$3.5 billion from August to September, the seasonally adjusted annual rate of total income payments to individuals rose to a new all-time peak of \$172 billion in October--6 percent above the average for the first nine months and 3 percent above the average for the third quarter. The overall rise in income payments largely resulted from greater than seasonal advances in agricultural incomes which, in turn, resulted principally from the unusually heavy volume of livestock marketings at advanced prices following the suspension of livestock ceilings on October 15. Salary and wage payments, seasonally adjusted remained virtually constant in October after increasing an average of 1.7 percent each month since February.

Sales at retail stores in October reached an estimated record dollar volume of \$8.7 billion, 23 percent above October 1945. After adjusting for seasonal factors, however, reported dollar volume of sales remained virtually unchanged from the previous month. After allowing for price increases, the volume of sales evidently increased less than seasonally. Seasonally adjusted sales at durable goods stores in October declined slightly from their September level. This is the first month since May 1945 in which sales at these stores failed to register an increase over the previous month. Nevertheless, sales in October were running 66 percent above those of a year ago. October sales in nondurable goods stores, seasonally adjusted, remained unchanged from September and were 15 percent above those of a year ago.

There may be further advances in consumer expenditures, at least during the early months of 1947, but consumer expenditures cannot be expected to stimulate general domestic economic activity as much in 1947 as they did during the past two years. Recent increases in consumer expenditures have been at a slower rate than during the winter of 1945-46 and are now more closely related to disposable income, principally because the rate of savings has declined.

COMMODITY PRICES

The general price level continues to rise. The BLS all commodity index of wholesale prices rose from 136 (1926 = 100) in mid-November to 139.7 by the second week in December. Part of this rise was due to the reintroduction of motor vehicle prices into the index and to higher prices for metal and metal products in general. Higher prices for building materials, fats and oils and miscellaneous commodities, also contributed. Wholesale prices of farm and food products were fairly stable around the relatively high mid-November levels.

The index of prices of raw industrial products, based on spot market prices, rose about 14 percent between November 8 and December 16. Not all of this rise has been reflected at the retail and wholesale levels. Moreover, the high level of demand for most commodities relative to available supplies probably will result in a continued rise in the general price level during the next 3 to 4 months.

The consumer price index for November--the last month reported--was 152 percent of the 1935-39 average, about 2 percent above October. Higher prices for food products were primarily responsible for this rise. Prices paid by farmers for family living rose 6 percent from September to October and was 241 (1910-14 = 100) in November--a gain of over 4 percent above the previous month.

Prices received by farmers in November declined to 263 (1910-14 = 100) from the record-high of 273 in mid-October. Declines in prices of cotton, corn and poultry products were primarily responsible for the 10-point drop in the index. Prices of oil bearing crops, vegetables and dairy products were higher than in the previous month.

Prices of farm products in general continued at high levels during the first half of December. Meat animal prices are only slightly below recent peak levels and cotton and corn prices are relatively stable around the lower levels reached in mid-November. During the first quarter of 1947, prices of farm products are expected to average only slightly below the mid-November level.

Higher prices for food and clothing resulted in a rise in prices paid by farmers in November. The index of prices paid, interest and taxes, rose from 207 (1910-14 = 100) in October to 212 in mid-November. Prices paid by farmers are expected to continue to rise during the next 3 to 4 months. Prices of food, feed, and possibly clothing, may level off somewhat if farm product prices decline. However, prices of other items in the index, particularly durable goods, are expected to continue upward.

With the decline of prices of farm products from the October peak and the continued rise in the index of prices paid, interest and taxes, the parity ratio declined from 132 (1910-14 = 100) in October to 124 for November.

AGRICULTURAL EXPORTS

Total agricultural exports in the third quarter of 1946 were valued at \$733 million as compared with \$844 million and \$830 million in the first and second quarters, respectively. However, the total for the three quarters of \$2.4 billion compares with an average 9-month figure of \$561 million in the five years 1935-39, and exports for the year as a whole are expected to amount to at least \$3 billion. Of course, part of the increase in the value of exports this year as compared with prewar is due to the much higher level of prices.

The drop in the value of exports in the third quarter of 1946 was due primarily to a decrease in exports reported as lend-lease ^{1/} and in UNRRA exports but the shipping difficulties of recent months and price rises have also been contributing factors.

Commercial agricultural exports (exports excluding UNRRA, and those still reported as lend-lease) increased from 54 percent of total agricultural exports in the first quarter of 1946 to 73 percent in the third quarter. However, if exports still reported as lend-lease are considered as commercial, the comparable percentages are 70 percent and 76 percent. In 1947, in view of the expected early termination of UNRRA, agricultural exports will be largely dependent upon commercial transactions unless some new kind of large-scale relief shipments of agricultural products is provided for.

It should be noted that the value of military shipments of agricultural products for foreign civilian relief is not included in the value of either commercial, or lend-lease, or UNRRA agricultural exports. In the first three quarters of 1946 military shipments of food alone for these purposes had an estimated average quarterly export value of \$100 million. This \$100 million is about 17 percent of the average quarterly value of food exports and about 1/8 of the average quarterly value of total agricultural exports (\$802 million) in the first three quarters of this year. In contrast to the marked decline between the first and third quarters of this year in lend-lease and UNRRA agricultural exports, the value of these military shipments for foreign civilian feeding has been well maintained, though on a level only about two-thirds as high as in 1945.

^{1/} Some exports are still being officially reported as lend-lease. However, since August 20, 1945, these all have been essentially of a commercial nature since they have either been paid for in cash by foreign governments or their agents, or have been financed by loans made by U. S. Government agencies under Section 3c of the Lend-Lease Act.

United States domestic exports of specified agricultural products, by type of export; quarterly average in 1935-39 and average of first three quarters of 1946 with cash exports as a percentage of total exports quarterly in 1946

Product	1935-39 Quarterly average	1946 1/ Average of first three quarters			
		Total : exports	Lend- : lease 2/ : exports	UNRRA : exports	Commer- : cial 3/ : exports
	\$1000	\$1000	\$1000	\$1000	\$1000
Cotton unmanufactured (excluding linters)	78,038	130,704	10,158	21,266	99,280
Tobacco, unmanufactured (includes stems, trim, scraps)	31,950	78,898	0	0	78,898
Fruits and preparations, (total)	21,361	37,158	2,200	2,537	28,421
Wheat & wheat flour from all wheat	13,054	154,260	3,262	43,986	106,412
Meat and meat products (total)	6,920	107,306	26,690	62,522	18,094
Lard including neutral lard	4,012	22,455	3,520	5,459	13,476
Fresh or frozen vegetables (total)	1,721	9,850	0	0	9,850
Canned vegetables & all other vegetable preparations	1,499	2,402	650	1,661	6,091
Rice, milled (incl. brown, broken, screenings)	1,421	11,931	0	1,572	10,359
Condensed and evaporated milk and cream	587	55,869	3,935	17,953	13,981
Milk, dried (whole and skim)	320	23,961	2,485	11,452	10,024
Cheese	71	16,383	1,861	4,927	9,595
Seeds: grass, field, garden, vegetable, other	522	6,619	488	3,638	2,493
Beans and peas dried	256	6,136	1,189	1,683	3,264
Soybean oil, refined	118	3,331	302	353	2,676
Dehydrated soups and vegetables	4/	14,506	2,258	8,407	3,841
Soya flour edible	4/	3,260	167	3,036	57
Wool and hair unmanufactured	28	2,393	11	1,952	430
Egg products dried	4	34,108	6,312	2,008	25,788
Total above agricultural exports	161,882	703,530	66,088	194,412	443,030
Total agricultural exports	186,875	801,041	69,659	221,681	510,601

1/ All 1946 data are preliminary. 2/ Since August 20, 1945 all lend-lease agricultural exports have been of a commercial nature since they have all been either paid for in cash by foreign governments or their agents or have been financed with loans made by U. S. Government agencies under Section 3 c of the Lend-Lease Act. 3/ Commercial exports are total exports less lend-lease and UNRRA exports. They therefore include private cash or credit exports, exports of goods, bought by foreign government missions for cash or on credit and Red Cross and other private relief exports. 4/ Not separately reported but included in the total.

FARM INCOME

Farmers' total cash receipts from marketings in 1946, as indicated by cumulative monthly estimates, may amount to as much as \$24 billion, or 15 percent above 1945. Receipts from livestock and products were about \$13.3 billion, 13 percent greater than last year; and crop receipts of about \$10.7 billion were 18 percent above 1945. Increases of 18 percent in receipts from meat animals and 15 percent in receipts from dairy products accounted for most of the gain in total livestock receipts. The increase from dairy products took place in the latter half of the year and that from meat animals occurred primarily during the last 3 months of the year, both as a result of sharp rises in prices. In some part, however, higher prices for dairy products served merely to offset the discontinuance of subsidy payments. Marked increases in receipts from cotton, food grains, and feed crops were largely responsible for the gain in total crop receipts. These increases also occurred chiefly in the latter half of the year.

Total cash receipts for December were probably around \$2.4 billion, 20 percent below November but 30 percent above December 1945. Receipts from livestock and products dropped almost 10 percent from November because of a seasonal decline in marketings of meat animals. Income from crops declined by about 30 percent from the November level, with receipts from cotton and oilbearing crops showing sharp seasonal declines.

In November, total cash receipts were about \$3.0 billion, 10 percent below October but 30 percent above November 1945. Receipts from livestock and products amounted to about \$1,570 million, approximately the same as in October and nearly 40 percent above November of last year. Marketings of meat animals were slightly greater than in October. With prices fairly well maintained at the October level, cash receipts from meat animals showed a moderate rise. This increase was partially offset by a slight seasonal decline in receipts from dairy products. Crop receipts were around \$1,430 million, representing a decline of about one-fifth from the October level, and reflecting large decreases in receipts from cotton and tobacco.

LIVESTOCK AND MEAT

Livestock and meat prices continued at near-record levels in December despite large market supplies of meat animals. Hog prices probably will be maintained at high levels through the summer of 1947 in response to strong consumer demand for meat and a more than seasonal reduction in supplies of pork beginning in early spring when hogs from the relatively small 1946 fall pig crop reach market weights. Prices of fed cattle, on the other hand, may decline substantially from current record levels as slaughter of such cattle increases seasonally through the spring and early summer of 1947. Lamb prices are expected to rise seasonally through early spring. Marketings of fed lambs this winter and early spring will be smaller than for the past few years. A further reduction in the lamb crop is in prospect for 1947.

The 1946 fall pig crop of 31 million head was 11 percent less than the 1945 fall crop, and the smallest since 1940. This indicates that hog slaughter from about March through October 1947 will be under that of 1946. However, based on farmers' breeding intentions for spring farrow and average size litters, the 1947 spring pig crop may be 1 percent larger than the 1946 spring crop. If this occurs, slaughter supplies of hogs in late 1947 and early 1948 will be slightly larger than in the corresponding period of 1946-47.

Total meat production in the first half of 1947 may about equal production in the same period of 1946. Pork and lamb output will be smaller because of reduced slaughter from the 1946 fall pig crop and smaller lamb slaughter. Most of the reduction in pork output will occur in the second quarter. Total beef and veal output in the first half of 1947 may exceed that of a year earlier. Storage holdings of meat are relatively low, but because of reduction in meat exports and military purchases, domestic civilian meat supplies probably will be somewhat larger than in the first half of 1946.

DAIRY PRODUCTS

Because of the high level of general business activity, demand for dairy products was strong through mid-December but a decline is likely during 1947. Consumer expenditures for dairy products have increased sharply since termination of price controls and are now greater than would be expected on the basis of normal relationships to disposable incomes.

A substantial weakening in demand for milk products would result not only in unit price declines but also in decreases in consumption of fluid milk, cream and ice cream, and increases in output of butter and evaporated milk.

Farmers will begin the new year with moderately fewer cows than they had at the beginning of 1946. A high rate of production per cow is likely, however, and total milk production in 1947 may be nearly as large as the 119.5 billion pounds produced in 1946. Production of milk and other dairy products has about passed the seasonal low point and output of many items already is increasing. Consumption of fluid milk and cream in coming months probably will be smaller than a year earlier, while supplies of manufactured products (stocks plus current output) will be about as large this winter as last. Retail prices probably will decline seasonally in coming months but will continue much higher than a year earlier. In November, the index of retail prices for dairy products was 50 percent above a year earlier and 95 percent above the 1936-40 average.

In the first half of 1947, prices received by farmers will be lower than at present but will exceed the previous record unit returns (price plus production payments) established for that 6-month period in 1946. Returns to dairy-men will be slightly below average relative to prices of hogs and beef cattle but favorable relative to feed costs.

POULTRY AND EGGS

Demand for eggs and chickens is likely to continue strong throughout the first half of 1947 because of high consumer purchasing power and the prospect for near-record prices for meat and other competing products. Despite strong demand, egg prices will decline seasonally, but are likely to remain above those in the winter and spring of 1946. Foreign demand appears sufficiently strong to maintain prices at or near 90 percent of parity. If the recent level of the parity index is maintained, egg prices at 90 percent of parity during the 1947 flush production season will be moderately above a year earlier. Chicken prices probably will increase from present levels.

Demand for eggs and chickens may not be as strong in the second half of 1947 as in the first half of the year. Decreases in consumer incomes are in prospect and the output of meat is expected to increase.

The outlook for turkeys in 1947 is for increased production but lower average prices. Ample supplies and better distribution of feeds, plus the favorable returns of the past 5 years, probably will result in an increased output of turkeys. Prospective declines in consumer incomes and larger supplies of red meats in the last quarter of 1947 also will tend to lower the average price.

Supplies of eggs during the first half of 1947 will be about 5 percent less than in the first half of 1946. The number of potential layers on farms December 1, 1946 was 10 percent below a year earlier. The effect of this decrease will be partly offset by possible increases in the rate of lay and larger cold-storage stocks. Consumption of eggs per person during the first half of 1947 is expected to be nearly as large as in the first half of 1946. If this occurs, 100 million to 150 million dozen shell eggs will be available for export or for Government purchase for price support.

FATS, OILS, AND OILSEEDS

Prices received by farmers for oilseeds rose 34 percent between mid-October and mid-November, with the index reaching 342 (1909-14=100), the highest on record. The rise reflected sharp advances in prices of oils and oilseed meals after removal of price ceilings in late October. Vegetable-oil prices in November were nearly double the old ceilings, and remained at that level through mid-December. Oilseed-meal prices, however, after rising to \$94-\$105 per ton in early November, declined by mid-December to \$75-\$100 per ton. The decrease was especially large in the price of soybean meal. Prices of soybeans declined about 50 cents from late November to approximately \$2.75 per bushel at Chicago in mid-December. Prices of flaxseed at Minneapolis remained through mid-December at \$7.25 per bushel.

Prices of fats, oils, and oilseeds, in comparison with the controlled wartime levels, are likely to continue high until mid-1947 at least. Supplies of fats and oils for consumption in the United States will continue relatively small in 1946-47, despite some increase in imports and decrease in exports. Domestic consumption and exports were supplemented last season by 441 million pounds of fats and oils withdrawn from stocks, but this year no further decline in stocks is likely. Factory and warehouse stocks on October 1, 1946 were the smallest in 18 years, and were only two-thirds of the prewar average for October 1. Domestic production of fats and oils in 1946-47 may be slightly less than a year earlier.

Expansion in soybean and flaxseed acreages is likely next spring, since prices of soybeans and flaxseed probably will remain high in relation to prices of corn, oats, and wheat. The soybean-corn price ratio in mid-November, at 2.4 to 1, was a third above the prewar average of 1.8 to 1. There has been some decline in soybean prices since mid-November, but the soybean-corn price ratio is still above the average. The ratio between flaxseed and wheat prices was much above average -- 3.6 to 1 compared with the 10-year ratio (1936-45) of 2.1 to 1. Output of vegetable oils in 1947-48 may be 10 to 30 percent higher than in the current season. Moreover, lard production in the fall and winter of 1947-48 probably will increase as the present favorable hog-corn ratio may lead to some expansion in the 1947 spring pig crop.

CORN AND OTHER FEEDS

The price of No. 3 yellow corn at Chicago averaged \$1.34 per bushel for the week ended December 14, only slightly lower than a month earlier. This is in contrast to the sharp decline of the preceding month. Prices are now adjusted to the new crop basis, and, during the next few months, are not expected to change greatly. In many areas of the Corn Belt, prices received by farmers for corn in mid-November were near the Government loan rate on 1946 corn.

Livestock feeders and feed mixers were reluctant to purchase byproduct feeds at prices prevailing during November and early December, and prices of many of these feeds declined \$10 to \$20 per ton during this period.

The hog-corn price ratio increased sharply from September to November, reaching a near record in November. Because of the large supply of corn on farms and strong consumer demand for meat, the hog-corn price ratio probably will continue favorable during most of the 1946-47 marketing year. Favorable feeding ratios also are in prospect for dairymen during the first half of 1947. On the other hand, poultry-feed price ratios probably will continue below average during the first half of the year.

Restrictions on the use of corn and other feed grains in the production of alcohol, distilled spirits, and fermented malt liquors were relaxed in late November. Unlimited quantities of corn grading lower than No. 3 may now be used in producing alcohol and distilled spirits. About 10 percent more grain and grain products (except wheat and rice) may be used in making fermented malt beverages. As a result, use of grain probably will about equal 1945-46 use and will be above prewar levels.

WHEAT

Wheat prices December 9 were about 10 cents below the high level reached November 25. Price declines the last week in November reflected an increase in country movement, a temporary easing of the tight transportation situation, and a reduction in the Canadian export price. The wheat export demand continues to be the important wheat price factor. Liftings of wheat and flour for export during July-November totaled about 115 million bushels -- considerably more than the normal exports in a full year.

If transportation facilities are available to complete the export program of about 267 million bushels, the carry-over of wheat on July 1, 1947 may total no more than the 1932-41 average of 235 million bushels. The July 1, 1946 carry-over was only 101 million bushels.

The use of coal and gondola cars for transporting wheat during the soft coal strike resulted in an increase in grain loadings, but the total continues small considering the quantity to be moved. For the 18 weeks ending November 30, total carloadings of grain and grain products in the United States were about 14 percent below those of the corresponding period of 1945.

The removal of limitation on domestic flour distribution, effective December 1, is not expected to significantly increase the food use of wheat in the United States estimated at about 510 million bushels. Feed use is still

estimated at 180 million bushels and seed at 82 million. Use of milling grades of wheat in the manufacture of mixed feeds is not permitted and the use of wheat for alcohol and beer is also prohibited.

World wheat production is now estimated to be about 13 percent above the small crop of last year, but still slightly below the 1935-39 average. The European total production is about a third larger than last year's small crop, but 16 percent below the 1935-39 average. The Canadian crop, at 419 million bushels, is 37 percent above 1945 and 34 percent above the 1935-39 average. Production in Argentina and Australia, where the harvest is now in progress, is indicated about a fourth above the small outturns in 1945, but still below average. Even with the improvement in production, however, the total grain import requirements are again greatly in excess of world exportable supplies.

FRUIT

Although supplies of fruit are generally larger, demand continues strong and prices, except for citrus, are expected to be nearly as high as last winter.

Demand for fresh apples and pears strengthened during December and prices received by growers are expected to rise seasonally this winter. Foreign demand for these two fruits, a significant market factor in prewar years, has been renewed this season and a small volume of fruit already has been exported to European countries. Processor demand for fresh apples continues strong. However, the domestic fresh fruit market remains the principal outlet for the larger-than-usual stocks of apples and pears.

Terminal market auction prices for citrus fruits may decline less than seasonally after the usual heavy Christmas holiday trade, because prices for most citrus fruits have already declined from the high levels reached in the past few seasons, mainly because of increased production. This price adjustment for grapefruit took place largely during the 1945-46 season while the adjustment for oranges occurred at the beginning of the current 1946-47 season. With both oranges and grapefruit moving into fresh market and processing channels at lower price levels, a smaller-than-usual decline in prices this winter seems likely. In Florida, where the canning season is now well under way, somewhat more grapefruit, but less oranges, were canned by November 30 than in the corresponding period of last season.

TRUCK CROPS

The level of prices received by farmers for commercial truck crops produced for fresh market shipment may be slightly higher in January 1947 than a year earlier, but for the entire winter season it is expected to average slightly lower than last winter. Early estimates covering most of the tonnage to be produced this winter indicate about a 4 percent reduction from last winter, due to a similar reduction in acreage. Truck crop prices this winter generally will be in seasonal relationship to the moderate prices of the latter half of 1946.

Largest relative changes from last winter in the prospects for individual truck crops are the one-fifth increase indicated for artichokes, kale and green peas, and the one-fourth reduction for lima beans, beets, and shallots. Production will be far above average again this winter for cauliflower, escarole, lettuce, celery, and carrots.

POTATOES AND SWEETPOTATOES

The market for potatoes should be relatively stable until about next April. The freezing weather and the Government surplus diversion program have largely eliminated the portion of the crop that could neither be marketed immediately nor held in available permanent storage facilities. Prices received by farmers for potatoes this winter are expected to average 6 to 9 cents per bushel (or 10 to 15 cents per hundred pounds) below those received last winter. Although very large supplies of potatoes are in storage, a large proportion is under the Government loan program. Movement of the potatoes under loan can be delayed a few months, so that marketing problems may not again become acute until near the end of the marketing season for the 1946 crop. However, it is apparent that the total supply far exceeds the quantity which can find commercial outlets at support prices.

Prices received by farmers for sweetpotatoes this winter are expected to be about 20 percent higher than last winter when price ceilings were in effect, and probably will rise somewhat more than seasonally. The 1946 crop was virtually the same size as the 1945 crop, and demand continued strong.

COTTON

In early December cotton prices at the 10 markets were relatively steady at the 31 to 32-cent level. Except for a decline of approximately 1-1/2 cents coinciding with the outbreak of the coal strike, prices in November held a gradual upward trend. On December 14, the 10-market price was 32.91 cents per pound (middling 15/16"), about 5 cents per pound above the lowest point reached during the period of rapid decline in late October. On that day, however, cotton was worth about 30 dollars per bale less than the mid-October peak, but was 42 dollars per bale above a year ago.

In each of the 4 weeks ended December 7, farmers put from 12 to 19 thousand bales of cotton under Government loan. Prior to the October break in prices, from 200 to 400 bales per week went into the CCC loan. In addition, local buyers may be holding a considerable volume of cotton acquired at the higher prices with the hopes of regaining some of the loss that would be incurred if sales were made at present prices. Spot market activities are about normal again and buying for domestic mills is continuing relatively strong. Cloth sales and shipments have been relatively heavy recently, due in part to the removal of controls on prices and production. Since the removal of controls, the textiles market has been quite erratic with manufacturers' prices of goods for immediate delivery advancing from 30 to 60 percent. Quantities of staple goods being offered apparently continue to be limited.

The official estimate of the 1946 crop is 8,482,000 bales of 500 pounds gross weight as of December 1, a reduction of 5,000 bales from the estimate for a month earlier. The supply of American cotton in the United States for 1946-47 is unchanged at 15.7 million bales. With domestic consumption running about 6 percent higher in November than in October and at the highest rate since May 1943, consumption for 1946-47 is expected to be considerably above the 9.2 million consumed in 1945-46. With considerably higher consumption, and assuming exports of 3 million bales and imports of 200,000 bales, the carry-over of all cotton in the United States on August 1, 1947 would approximate 3-1/4 to 3-1/2 million bales.

WOOL

CCC selling prices were again advanced November 30, to reflect the November increase in the parity price of wool. As the index of prices paid, interest and taxes is expected to continue upward, a further rise in these prices may be expected. Despite the fact that domestic selling prices rose 10 percent within two months, some qualities of good fine domestic wools are still selling below comparable foreign wools. The advance of foreign fine wool prices in September and October was fully maintained during November; but it seems doubtful that future price advances will be as rapid as that of the index on which wool parity is based. In that event, government-owned domestic wool may again be priced out of the market.

Mill consumption of apparel wool in 1946 will reach a new record high if the rate of mill consumption, scoured basis, which prevailed for the first 10 months is maintained through December. Because of the large use of high-yielding foreign wool, consumption on a grease basis for 1946 may fall below the previous record of 1077 million pounds reached in 1942. Imports of apparel wool into the United States during the first nine months of 1946 were a record but may decline because of the moderate participation of American buyers in foreign auctions. Apparel wool stocks in this country October 1 were also a record, but are expected to decline because of reduced imports and the seasonally small marketings of domestic wool.

TOBACCO

Sales of the 1946 burley tobacco crop began on December 2, with average prices considerably below those of the opening week in 1945. The large 1946 production, heavy carry-over stocks, the considerable proportion of lower grades and the uncertain fuel situation for redrying plants, affected burley prices unfavorably during the opening week. Prices during the first week averaged 40.4 cents per pound. Markets then closed for two days, but auctions reopened after coal production was resumed. Prices averaged 41.6 cents per pound for the second week but eased to 40.9 cents for the week ending December 20. In comparison, the average of the first three weeks of the 1945 season was 45.3 cents per pound and for the entire crop season 39.4 cents per pound. Loans are available to growers at rates based on 33.6 cents per pound--90 percent of the applicable parity price. The large supplies of burley will continue to be an adverse price-making influence, but continuing high cigarette manufacture will sustain prices of cigarette-leaf grades. Larger than prewar exports are anticipated during 1947. In the 1945-46 marketing year about 35 million pounds (farm-sales weight) or around 6 percent of the average production of the last 3 years was exported.

The dark air-cured types 35 and 36 began selling in late November but marketings were interrupted during the coal strike. Prices for One Sucker, type 35, and Green River, type 36, though somewhat unsteady, averaged close to 23.0 cents per pound for sales through December 20. Both types were around a cent below last year's average price during the corresponding period. Loans at rates based on 66-2/3 percent of the burley loan rate are available to farmers for the preceding types and at 75 percent of the burley loan rate for fire-cured types. Virginia fire-cured showed strength when it began selling a week late on December 9. Prices during the first two weeks of sales averaged about 31.0 cents per pound compared to 28.3 for the similar period in 1945.

Consumption of both cigarettes and cigars reflect strong consumer demand based on high-level employment and income payments. Indicated consumption (tax-paid withdrawals) of cigarettes in October was 32.8 billion and of large cigars, 594 million, representing increases of close to 5 and 15 percent, respectively, above October 1945. Total production of cigarettes (tax-paid plus tax-free) in October broke all records for any month. The level of cigar production for October was exceeded only four times since 1930-- the most recent being December 1942. Tax-paid withdrawals of manufactured tobacco (smoking and chewing) increased from September to October but were 20 percent below October 1945.

Tobacco leaf exports in October were about 7 percent higher than September and 18 percent above the monthly average for October-September, 1945-46.

